



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ February 12, 2015 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Manly, Iowa for the period July 1, 2013 through June 30, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible, including procedures to reconcile utility billings, collections and delinquent accounts for each billing period. The City should also establish procedures to ensure computer generated reports and the Annual Financial Report are accurate and reconcile to the City's general ledger. In addition, the City should comply with Code of Iowa requirements for the proper publishing of City Council minutes, budget amendments and electronic check retention.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1421-0946-BL0F.pdf>.

###

CITY OF MANLY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

Table of Contents

| | <u>Page</u> |
|---|----------------|
| Officials | 3 |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 5-6 |
| Detailed Recommendations: | <u>Finding</u> |
| Segregation of Duties | A 8 |
| Bank Reconciliations | B 8 |
| Reconciliation of Utility Billings, Collections and Delinquent Accounts | C 8 |
| Certified Budget | D 9 |
| Business Transactions | E 9 |
| City Council Minutes | F 9 |
| Electronic Check Retention | G 9 |
| Treasurer's Monthly Report | H 9 |
| Computer System | I 10 |
| Timesheets | J 10 |
| Annual Financial Report | K 10 |
| Staff | 11 |

City of Manly

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------------------------|----------------------|---------------------|
| <u>(Before January 2014)</u> | | |
| Kevin Isaacson | Mayor | Jan 2016 |
| Scott Heagel | Mayor Pro tem | Jan 2016 |
| Lon Badker | Council Member | Jan 2014 |
| Priscilla Ferden | Council Member | Jan 2014 |
| Steve Leake | Council Member | Jan 2014 |
| Joe Ryan | Council Member | Jan 2016 |
| Dee Dunbar | City Clerk/Treasurer | Indefinite |
| Tom Meyer | Attorney | Indefinite |
| <u>(After January 2014)</u> | | |
| Kevin Isaacson | Mayor | Jan 2016 |
| Scott Heagel | Mayor Pro tem | Jan 2016 |
| Joe Ryan | Council Member | Jan 2016 |
| Lon Badker | Council Member | Jan 2018 |
| Priscilla Ferden | Council Member | Jan 2018 |
| Steve Leake | Council Member | Jan 2018 |
| Dee Dunbar | City Clerk/Treasurer | Indefinite |
| Tom Meyer | Attorney | Indefinite |

City of Manly



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Manly for the period July 1, 2013 through June 30, 2014. The City of Manly's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.


9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

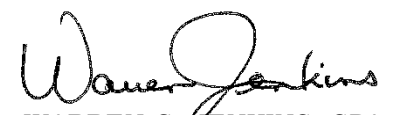
Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Manly, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Manly, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manly and other parties to whom the City of Manly may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Manly during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 18, 2014

Detailed Recommendations

City of Manly

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year. However, for one of the two months reviewed, bank and book balances did not properly reconcile. A variance of \$1,488.79 was not resolved. In addition, the bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are investigated and resolved timely. In addition, an independent person should review all bank reconciliations and document the review by signing or initialing and dating the reconciliations.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. In addition, procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

City of Manly

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (D) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (E) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|--------------------------------------|--------|
| Lon Badker, City Council Member, plumber for St. Ansgar Plumbing | Miscellaneous maintenance and repair | \$ 751 |

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

- (F) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one of four meetings tested were not published and minutes for one of four meetings tested were not published within fifteen days as required. In addition, none of the minutes for the four meetings tested included a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa by publishing minutes within fifteen days and including a summary of receipts, as required.

- (G) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (H) Treasurer’s Monthly Report – The City Council reviews the Treasurer’s Monthly Report. However, the Treasurer’s Monthly Report did not agree to the City’s general ledger due to the timing of preparation of the report.

Recommendation – To improve financial accountability, the City should develop procedures to ensure the Treasurer’s Monthly Report agrees with the City’s general ledger.

City of Manly

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (I) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies and procedures for:

- A disaster recovery plan for the computer system.
- Requiring password changes every 60 to 90 days.
- Maintaining password privacy and confidentiality.

Recommendation – The City should develop written policies and procedures addressing the above items to improve the City’s internal control over its computer system.

- (J) Timesheets – Timesheets are not reviewed and approved by supervisory personnel prior to the preparation of payroll.

Recommendation – Procedures should be established to ensure timesheets are reviewed and approved by supervisory personnel prior to the preparation of payroll. Supervisory review/approval should be documented by the supervisor’s initials and the date of approval.

- (K) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires all cities to file an Annual Financial Report (AFR) with the Office of Auditor of State no later than December 1 of each year. The June 30, 2014 Annual Financial Report did not agree with the City’s financial records. The AFR’s total ending fund balance was correct. However, total receipts were overstated by \$21,185 and total disbursements were overstated by \$22,912.

Recommendation – The City should implement procedures to ensure the information included in the City’s Annual Financial Report agrees with the City’s financial records.

City of Manly

Staff

This agreed-upon procedures engagement was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Benjamin R. Salow, Assistant Auditor
Jessica L. Roeding, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State